

# Vietnam Rubber Report

## Sector Overview

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Presentation and Marketing Material



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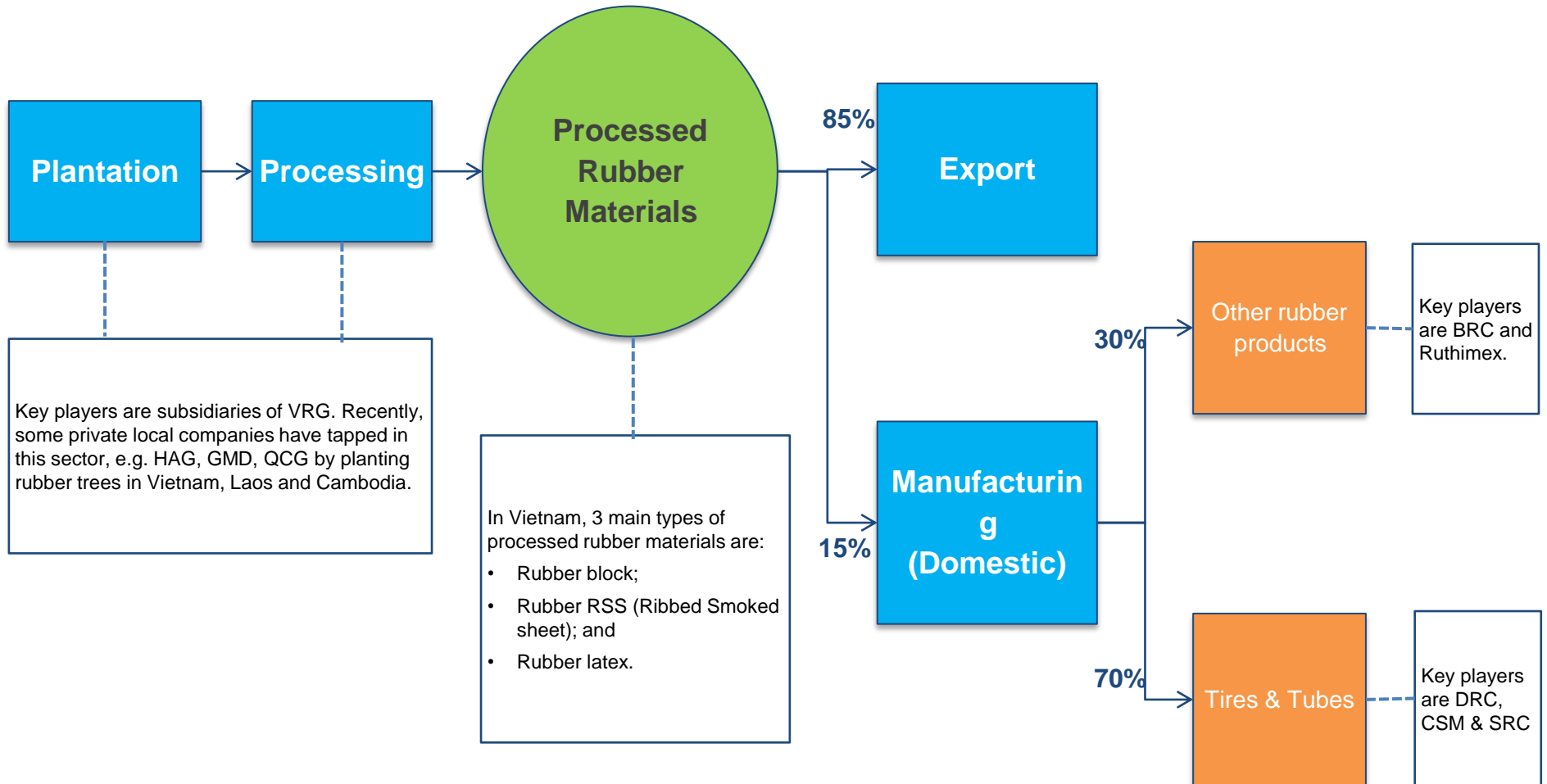
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Total sales of rubber sector is US\$ 4.16bn in 2012

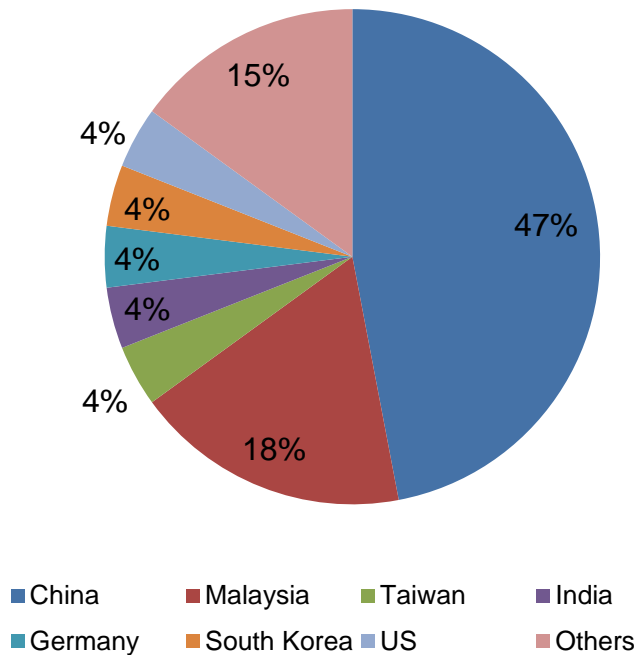
Figure 1: Rubber sector structure & value chain



Source: StoxPlus

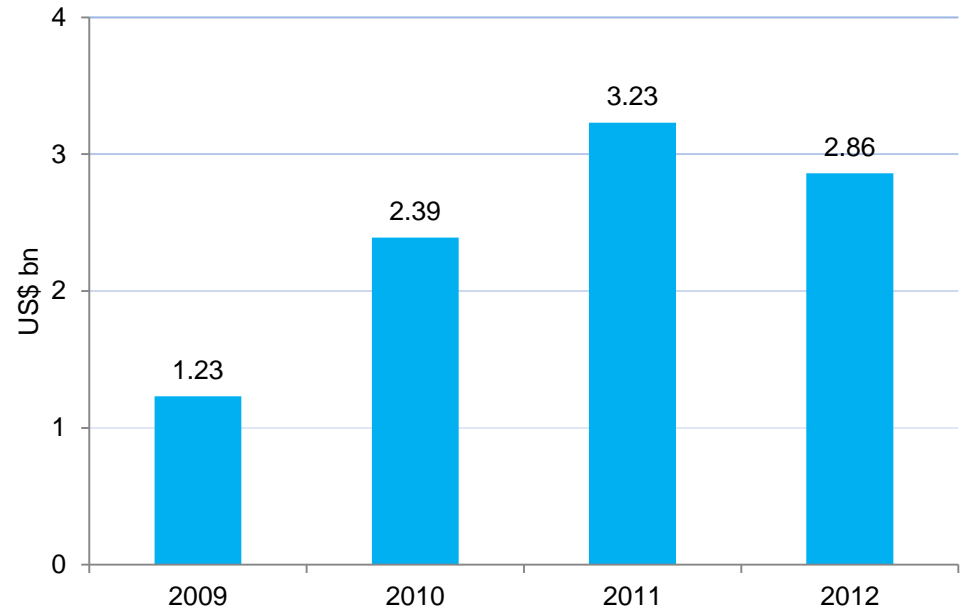
### 85% of processed rubber materials is exported

Figure 2: Rubber Export by countries as of Q1/2013



Source: StoxPlus from VRG

Figure 3: Rubber Export Value (US\$bn)



Source: StoxPlus from VRG

- After plantation & processing stage, 85% of processed rubber materials is exported and the rest 15% is used for domestic manufacturing of rubber end-products.
- Total Rubber Export Value is US\$ 2.86 bn in 2012. Currently, China is Vietnam's major rubber export partner with 47% of total export value.

## Rubber Plantation & Processing

### Rubber Plantation & Processing segment is the key with dominant is Vietnam Rubber Group ( “VRG” )

**Position of Vietnam rubber materials in worldwide market** (see figure 2-3)

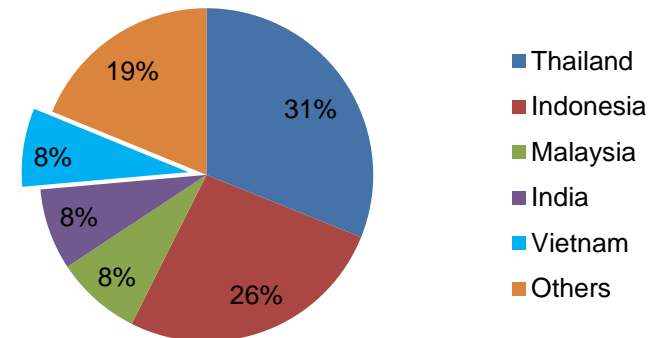
#### Competition dynamics

- VRG plays an important role in strategy management of the Vietnam rubber plantation & processing segment. VRG is currently managing 262,627 ha in Vietnam.
- VRG currently has 44 factories and processing units, total capacity is 433,000 tons/year..
- Of top 10 rubber plantation & processing companies, (in term of total plantation area), top 7 are subsidiaries of VRG.
- GMD and HAG are the two listed and not State-owned enterprises recently tapping in this segment.

Year	Rubber plantation area	Extracting area	Extracting volume	Productivity
	'000 ha	'000 ha	'000 tons	ton/ha
2012	910.5	505.8	863.6	1.71
2011	834.2	471.9	811.6	1.72
2010	748.7	439.1	751.7	1.71
2009	677.7	418.9	711.3	1.70
2008	631.5	399.1	660.0	1.65
2007	556.3	377.8	605.8	1.60

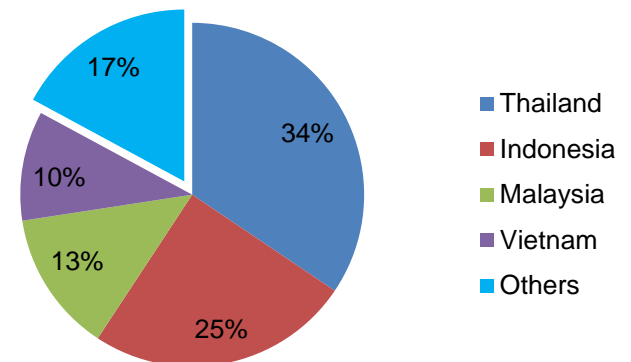
Source: StoxPlus from GSO

**Figure 4: Vietnam ranked 5<sup>th</sup> in rubber extracting volume (2012)**



Source: StoxPlus from Agroinfo, FPTIS

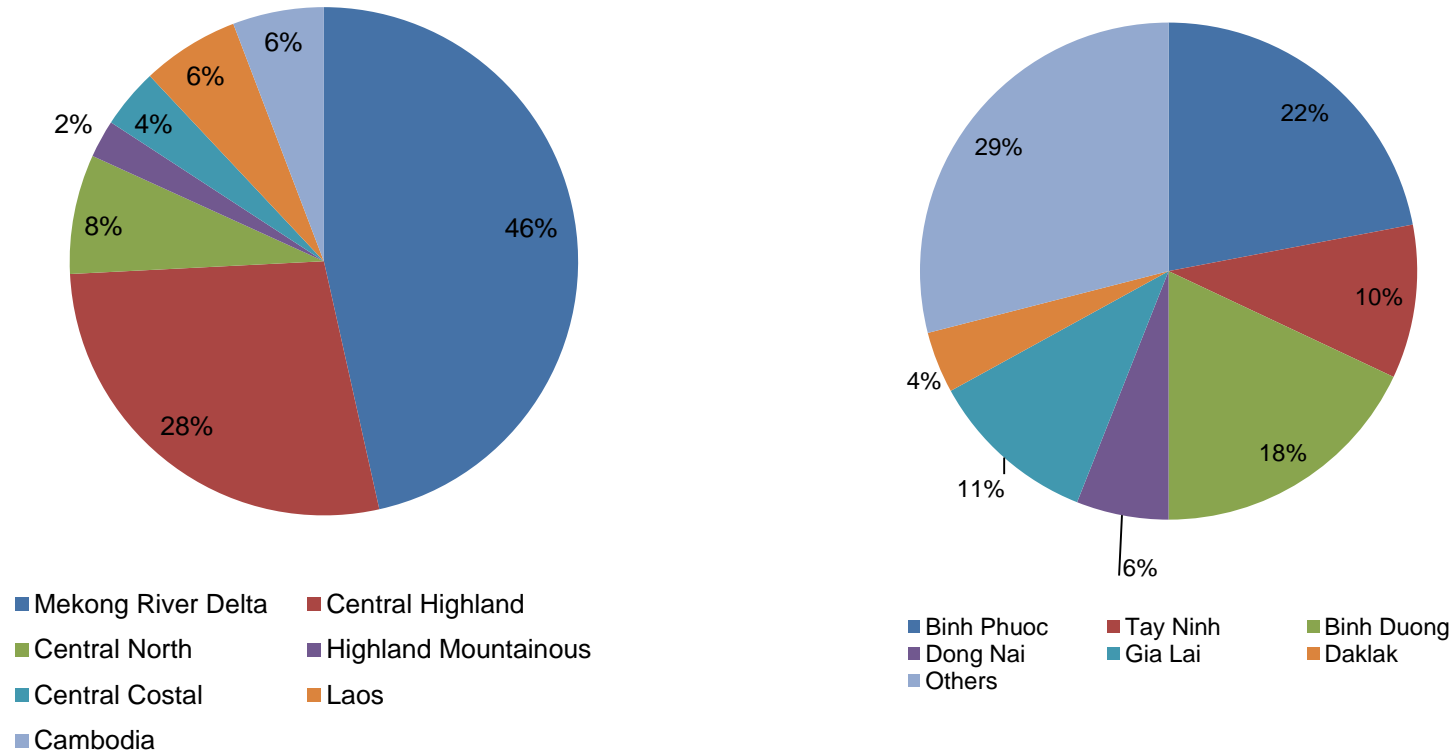
**Figure 5: Vietnam ranked 4<sup>th</sup> in rubber exporting volume (2012)**



Source: StoxPlus from Agroinfo, FPTIS

*In the period of 2015 - 2020, Vietnam total rubber plantation area will likely reach 1mn ha*

**Figure 6: Rubber Plantation allocated by regions and provinces**

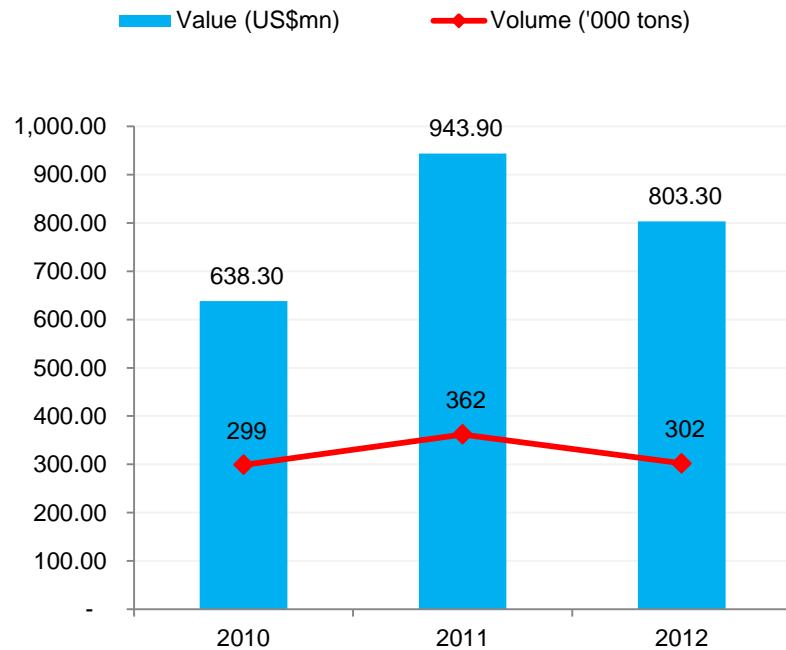


Source: StoxPlus

In the period of 2015 - 2020, Vietnam total rubber plantation area will likely reach 1mn ha. Mekong River Delta is the biggest rubber plantation region in Vietnam with 390,000 ha equivalent to 46% of total area in the whole country. Following is Central Highland with 280,000 ha (28% of total area).

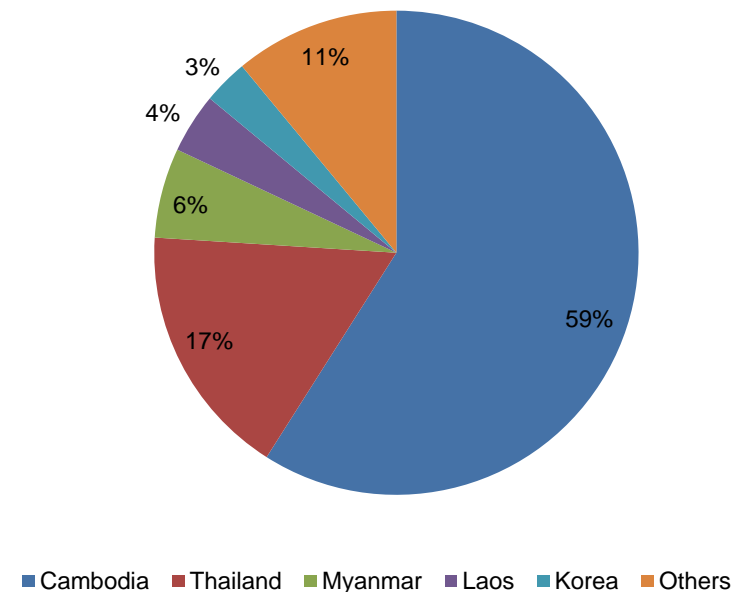
## Cambodia is the Vietnam major import partner with 59% of market share

**Figure 7: Rubber Materials Importing Volume & Value 2010 - 2012**



Source: StoxPlus from VRG

**Figure 8: Rubber Materials Importing Volume By Countries 2012**



Source: StoxPlus from VRG

- In 2012, Vietnam imported 302,000 tons rubber materials (decreased 16.6% compared with 2011), with total value of US\$803.29mn (decreased 14.9% compared with 2011).
- Each year, volume of imported rubber materials is high because Vietnam still lacks of some types of rubber materials for domestic manufacturing. Besides, 60% of the total import volume is re-exporting, while 40% is for domestic manufacturing.

### *Gemadep Rubber Business and HAG's Rubber Business*

#### **Gemadep Rubber Business**

##### **Factsheet:**

- Planned plantation Area: 30.000 hectas
- Location: KohNhek district, MondulKiri province, Campuchia
- Estimated investment capital required: US\$150 million, meaning investment per hecta: US\$5.000.
- Time: 50 years
- Clearance and Seeding Plantation period: 2011-2016.
- About 800 ha planted in 2011.

##### **Investment Plan:**

- The capex investment for the rubber is US\$44.2 million in the first 6 years 2011-2016 which accounted for roughly 45% total capex of GMD. This investment is required for 10.000 hectas new plantation.

#### **HAG's Rubber Business**

##### **Overview:**

HAG occupies 51.000ha in Laos, Campuchia and Vietnam. Rubber has been a good catalyst for investors helping HAG raise US\$145M fund recently.

##### **StoxPlus's comments:**

- The 51.000 hectas rubber business model of HAG has been valued at about US\$500M-US\$600M based on DCF model by several institutional investors. Meaning US\$10.000 per hectas of 5-7 year life planted rubbers
- Key assumptions:
  - Plantation Yield: 1.7 tonnes/ha (1,700 kg/ha)
  - Rubber price of US\$4.0/kg.
  - Capex budgeted US\$140M for 2012-2017. Discount rate: 16%



# Rubber Product Manufacturing

## Vietnam tires & tubes manufacturing market is still small

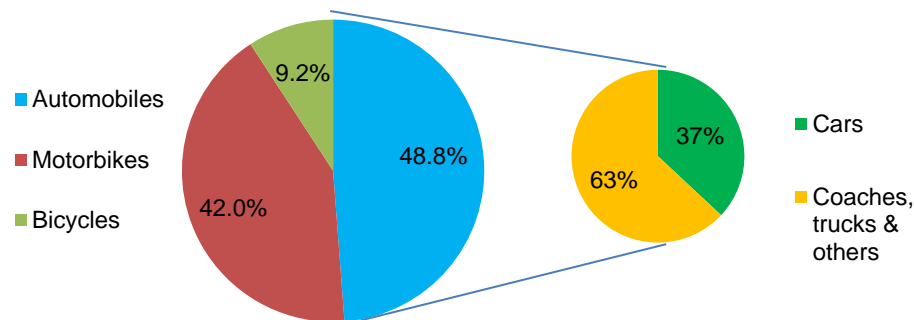
### Segment size & growth

- Tires & tubes accounts for 70% of rubber manufacturing segment. The rest are technical rubber and other rubber end-products.
- Vietnam tires & tubes manufacturing market is pretty small, about US\$800mn, only about 0.34% of world tires & tubes market.
- However, growth in this segment is very potential. It is estimated that worldwide demand for automobiles tires will grow 2%/year. Demand for Vietnam tires & tubes market will be much higher.

### Trend

- Radial will become major trend, replacing Bias tires. Radial tires are twice stable, reducing energy consumption, lower heat generation and double duration compared with traditional Bias tires.

Figure 9: Value Structure of Vietnam Tires & Tubes Market



Source: StoxPlus from BVSC

Figure 10: Bicycles Tires & Tubes Production Volume (mn units)

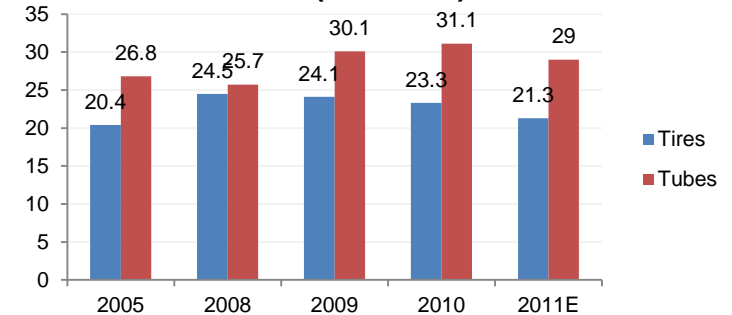


Figure 11: Motorbikes Tires & Tubes Production Volume (mn units)

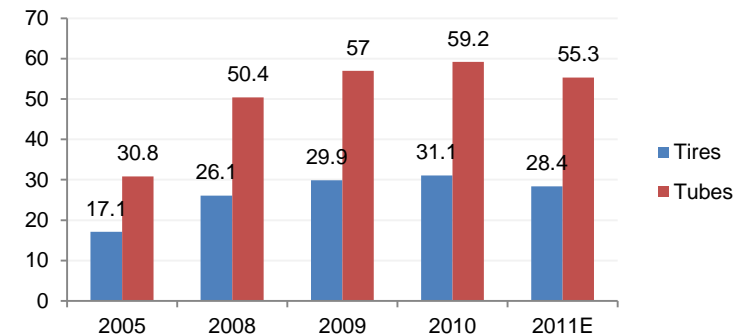
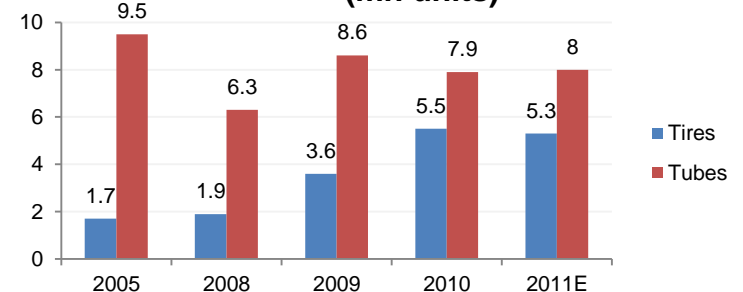


Figure 12: Autos Tires & Tubes Production Volume (mn units)



Source: StoxPlus from MoIT

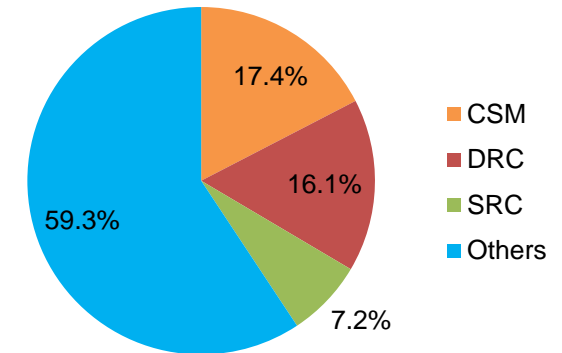
# Rubber Product Manufacturing

## Main manufacturers are Danang Rubber, Casumina, Sao Vang Rubber

### Competition dynamic

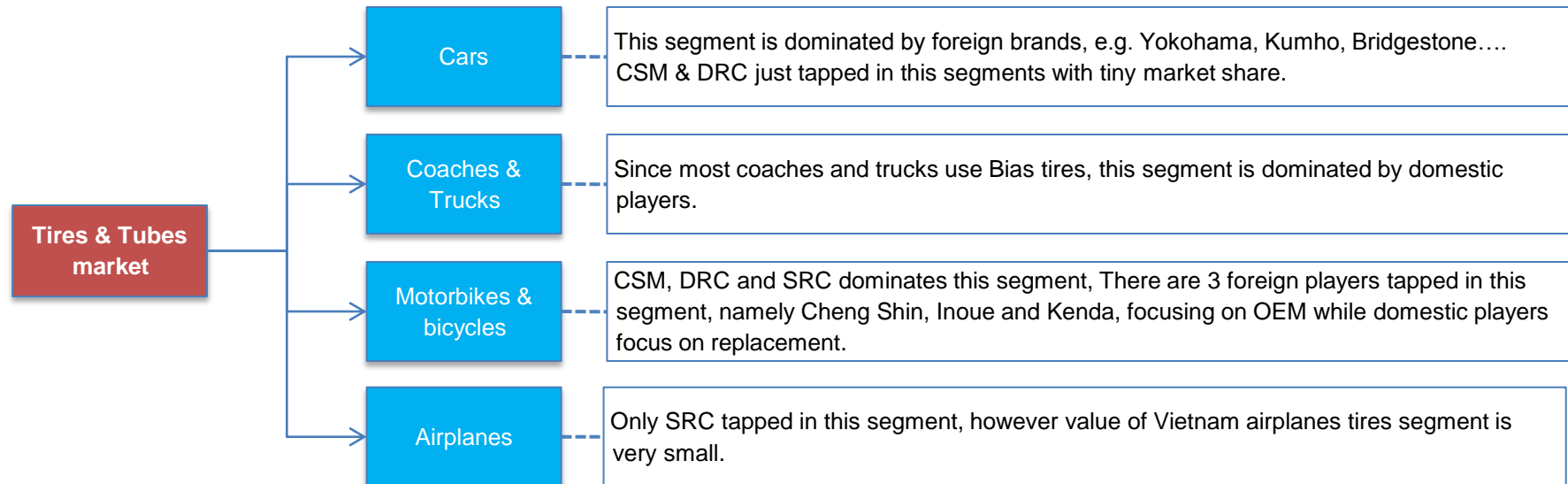
- The tires & tubes Vietnam market is concentrated, divided into 2 main groups: group of Vinachem (CSM, DRC, SRC) and group of other FDI and JV companies.
- When the number of automobiles (especially cars) increases rapidly in recent years, total market share of Vinachem fell dramatically, only 40.7% in 2012. Because cars mainly use Radial tires. Domestic players are not strong at Radial tires thus they lose all cars segment to foreign brands.
- However, Vinachem are still holding strong positions in specific tires products.

Figure 13: 2012 Market Share



Source: StoxPlus from BVSC.  
 Note: Others include: Michelin, Bridgestone, Kumho, Yokohama and some cheap Chinese tires brands.

Figure 14: Competition dynamic in rubber manufacturing segment



Source: StoxPlus.

## Sector Summary

No Content

Sector Summary

1 **Market Size and Potential Growth**

Total sales of rubber sector is US\$4.16bn in 2012. Vietnam's natural rubber sector has little organic growth in the next few years. Most listed rubber companies are facing declining plantations as they can be too old or replanted areas are not ready for yielding. The revenue growth can only come from increasing rubber prices, which Vietnam has no impact or influence on.

2 **Segmentation Analysis**

Plantation & processing is the largest segment amounting to US\$3.36bn, mainly from export. Manufacturing is just US\$0.8bn with few players namely Dang Nang Rubber JSC, Casumina JSC, Sao Vang Rubber JSC. 85% of processed rubber materials is exported and the rest 15% is used for domestic manufacturing of rubber end-products.

3 **Competition Dynamics**

Rubber is a commodity based sector i.e. profitability of plantation players depends heavily on the fluctuation of global rubber prices. Productivity also depends on the age of rubber trees.

4 **Foreign ownership**

There are no foreign ownership restriction in a rubber business companies if it is not a public company. For SOE rubber companies, maximum foreign ownership is also 49%. However, for any new investment license in rubber plantation areas, it is subject to a careful review and approval of Ministry of Defence, Ministry of Public Security and Ministry of Natural Resources and Environment (Decree 108/2006).

# **Introduction about StoxPlus Corporation and Research Capability**

# Overview about StoxPlus

## Areas of Existing Business



 **STOXPLUS** *pro:investors*

StoxPlus Corporation

 **STOXPLUS** | *Data Feeds*

Information Services

- Pioneer in data feed services to financial sector in Vietnam
- A sustainable client portfolio including top 10 brokerage firms, financial websites such as Forbes Vietnam
- Financial IT solutions: financial website solutions for financial sector and Investor Relations web for corporate sector

 **StoxPro**<sup>TM</sup>

Stock Analytic Tools

- An in-house built analytic platform for institutional investors and sophisticated investors

 **STOX**Research

The Power of Data

Research Services

- A team of seasoned professionals delivering market research, company research and market entry services
- Clients include Fortune 500 company

# Overview about StoxPlus

## Research Services



- Our Research division has been established as an independent research house in Vietnam to provide local insights to our clients at quality standards of the World's prestige advisory firms.
- Our research team with a team of 5 experienced analysts and researchers with CFA Charterholders, ACCA Chartered Accountants and MBAs with extensive experience in investment, banking, corporate finance and technology with well respected firms in the United Kingdom, Australia and Vietnam.
- Our research services consists of
  - Standard research reports (ready for sales via our website [www.stoxresearch.com](http://www.stoxresearch.com) ); and
  - Customisable services based on specific requirements
- Our team covers all key sectors of Vietnam including Financials, Logistics, Healthcare, Homebuilding, etc
- Our research clients are mostly foreign institutional investors and industry players who are penetrating into Vietnam.

### Selection of our Regular Research Clients:



*We provide sector research reports for all key industries as well as comprehensive analysis and local insights customized for your Vietnam market entry solutions. Our research services include:*

### Market Research Service

- Market understandings
- Market sizing & segmentation
- Market dynamics
- Industry analysis
- Customer segmentation
- Value chain analysis
- Regulatory and policy framework
- Key player profiles

### Business Intelligence

- Key account profiling
- Competition analysis
- Commercial partner seeking
- Management background check
- Financial and operational due diligence

### Market Entry Advisory

- Market assessment
- Market entry strategy defining
- Site location analysis
- Product and pricing strategy
- PPP/Joint ventures/M&A/licensing
- Vendors, outsourcers and distributors search

## Industries we regularly cover:

### Financial Sector

- Vietnamese banking
- Retail banking and home credit
- Insurance
- Brokerage
- Asset management

### Healthcare Sector

- Hospital operation
- Drugs
- Medical devices
- Laboratory/medical testing
- Diagnostic imaging

### Consumerism

- Beers
- Soft drinks
- Alcoholic
- Pharmaceutical
- Education

### Construction & others

- Home builders
- Cement and concrete
- Construction materials
- Infrastructure i.e. ports
- Real estates
- Natural rubbers

*StoxPlus has been engaged in many assignments covering a wide range of industries*

**International**

World Bank

**Banking**

Background research services for housing price, land price, cross-holding in banks and data inputs for FSAP



**Korea**

SK Group

**Investment Screening**

Research on 10 key sectors of Vietnam and SOE IPOs to assess investment opportunities



**Korea**

SK Group

**Healthcare**

Market research on Vietnam hospital operation businesses and diagnostic service segment: help client fully understand the market and defined entry options



**Singapore**

Daiwa Can

**Flexible Packaging**

Market screening of top 10 largest players in carton packaging companies in Hanoi and HCMC under M&A transaction considerations



**Japan**

Japan Economic Research Inc.

**Home Builders**

Market research on Vietnamese home builders and assessing key trends. Profile of key players in HCMC, Hanoi and the Central of Vietnam



**Singapore**

Happiness International Hospital

**Hospital & Clinics**

Market research of imaging diagnosis market in HCMC and in-depth analysis of selected players



**Japan**

Maruhan Corporation

**Banking**

Market Research for Banking sector in Vietnam and insightful analysis of shortlisted players



**Japan**

Japan Knowledge Incorporation

**Consumer Finance**

Vietnam Consumer Finance Market Report and Define Entry Options for a Japanese Financial Institution





*If you need further assistance in this sector,  
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